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ANNUAL REPORT

OF

STRAWBRIDGE & CLOTHIER

PHILADELPHIA, PA.

FOR THE FISCAL YEAR ENDED
JANUARY 31, 1937

BOARD OF DIRECTORS

MORRIS L. CLOTHIER, *Chairman*

HERBERT J. TILY
ISAAC H. CLOTHIER, JR.
ROBERT E. STRAWBRIDGE
FREDERIC H. STRAWBRIDGE
FRANCIS R. STRAWBRIDGE
HOWARD COOPER JOHNSON
JOHN JACKSON
GEORGE K. BARTLE

OFFICERS

MORRIS L. CLOTHIER, Chairman of the Board
HERBERT J. TILY, President
ISAAC H. CLOTHIER, JR., Vice-President
ROBERT E. STRAWBRIDGE, Vice-President
HOWARD COOPER JOHNSON, Vice-President and Treasurer
JOHN JACKSON, Secretary
L. G. ANDREWS, Assistant Secretary and Assistant Treasurer

March 19, 1937.

To the Stockholders of Strawbridge & Clothier:

By order of your Board of Directors, I report the financial condition of the company at January 31, 1937, and results of operations for the fiscal year then ended.

The balance sheet and summary of income and expense, certified by your auditors, Messrs. Ernst & Ernst, are submitted herewith.

Net profit for the year is $723,972.43, compared with $428,766.02 for the previous year.

I am pleased to report improvement in all major factors of our business, in full keeping with the general acceleration of business volume during the year.

Interest and sinking fund requirements of the bonds and dividends and sinking fund requirements of the Prior Preference stock are fully paid. Dividends on the Preferred 7% stock were paid during the year to a total of $4.50 per share, and sinking fund requirements on this issue have also been maintained.

Taxation has increased from a total of $271,000.00 in 1929 to $603,000.00 in 1936. For the year 1937, the social security taxes alone will greatly increase the total, due to the increase in rate to 3% of payrolls compared with 1% for the year 1936.

In line with action taken in large stores in important cities of the country, we have shortened our store hours. These hours are now from 9:30 A. M. to 5:30 P. M., so that the greater number of our employees are now on a forty-two-hour week.

With gratitude and appreciation we acknowledge our indebtedness to our thousands of faithful workers. Without their loyalty and intelligent co-operation, worthwhile results for them, for our stockholders and for our patrons cannot be achieved. It shall continue to be not only our purpose, but our earnest endeavor, to deserve the loyal and practical support they have given us for so many years.

Respectfully submitted for the Board of Directors,

HERBERT J. TILY,
President.

ERNST & ERNST
ACCOUNTANTS AND AUDITORS
SYSTEM SERVICE
PHILADELPHIA
FIDELITY-PHILADELPHIA TRUST BLDG

March 19, 1937.

STRAWBRIDGE & CLOTHIER,
Philadelphia, Pa.

We have made an examination of the balance sheet of STRAWBRIDGE & CLOTHIER, PHILADELPHIA, PA., at January 31, 1937, and of the statement of income and surplus for the year ended that date. In connection therewith, we examined or tested accounting records of the company and other supporting evidence and obtained information and explanations from officers and employees of the company; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

Merchandise inventories are based on actual departmental counts of stock made by employees of the company at various dates prior to the close of the fiscal year and priced at retail, less a percentage representing mark-up to reduce sales price to approximately cost or market value. All inventories as taken were reconciled to January 31, 1937, through standard retail inventory records maintained. Our examination of the inventories was limited to tests of the method of pricing and the mathematical accuracy.

The depreciated value of land and buildings is the sound reproductive value as independently appraised at April 30, 1928, adjusted for subsequent property changes, including additions at cost, less provision for subsequent depreciation. Fixtures and equipment are stated at cost, less provision for depreciation.

Sinking fund provisions of the First Mortgage 5% Bonds, Prior Preference 6% Cumulative Stock and Preferred 7% Cumulative Stock have been complied with.

Dividends on the Prior Preference 6% Cumulative Stock have been paid to November 30, 1936, a dividend date. Accumulated dividends on the Preferred 7% Cumulative Stock to December 31, 1936, a dividend date, amounted to $30.50 per share.

In our opinion, based upon our examination, the accompanying balance sheet and related statement of income and surplus fairly present the financial position of the company at January 31, 1937, and the results of its operations for the year ended that date. Further, it is our opinion that the statements have been prepared in accordance with accepted accounting principles and on a basis consistent with the preceding year.

ERNST & ERNST.

INCOME AND SURPLUS ACCOUNT

STRAWBRIDGE & CLOTHIER—PHILADELPHIA, PA.

For the fiscal year ended January 31, 1937

Profit before deducting interest, depreciation and provision for Federal and State income taxes		$1,942,953.49
DEDUCT: Interest	$596,781.98	
Depreciation	462,199.08	1,058,981.06
NET PROFIT BEFORE INCOME TAXES		$883,972.43
Provision for Federal and State income taxes—Estimated		160,000.00
NET PROFIT FOR THE YEAR		$723,972.43
Surplus—January 31, 1936		5,314,101.88
		$6,038,074.31
Surplus credit:		
Net discount on prior preference stock and preferred stock acquired		38,598.12
		$6,076,672.43
Surplus charges:		
Cash dividends—Prior preference stock	$102,921.00	
Preferred stock	421,422.75	
	$524,343.75	
Amortization of appreciation of building values	35,995.71	560,339.46
SURPLUS—JANUARY 31, 1937		$5,516,332.97
Earned surplus	$1,705,350.39	
Capital and appreciation surplus	3,810,982.58	$5,516,332.97

BALANCE

STRAWBRIDGE & CLOTHIER

January

ASSETS

CURRENT			
Cash		$1,169,584.14	
Accounts receivable—			
Customers' charge accounts	$2,626,681.26		
Customers' deferred payment accounts	1,581,995.40		
Creditors' debit balances	81,857.37		
	$4,290,534.03		
LESS: Allowance for doubtful	235,000.00		
		4,055,534.03	
Merchandise inventories		3,763,147.93	
			$8,988,266.10
OTHER ASSETS			
Miscellaneous investments (At cost)	$155,442.48		
Sundry notes, accounts receivable and deposits	124,268.58		
		$279,711.06	
LESS: Allowance for decline and doubtful		75,000.00	
			204,711.06
SUBSIDIARY AND AFFILIATED COMPANIES			
Capital stock and advances—At cost—WFI Broadcasting Company (100% owned subsidiary—inactive) and WFIL Broadcasting Company (50% owned)			79,388.89
PROPERTY, FIXTURES AND EQUIPMENT			
Operating—Land, buildings and equipment (After allowance of $3,585,628.10 for depreciation)		$22,035,150.43	
Non-operating—Land and buildings (After allowance of $275,280.57 for depreciation)		1,303,684.36	
			23,338,834.79
DEFERRED CHARGES			
Unamortized bond discount and expense		$189,531.47	
Supply inventories and prepaid expense		155,053.56	
			344,585.03
			$32,955,785.87

SHEET

—PHILADELPHIA, PA.

31, 1937

LIABILITIES

CURRENT			
Notes payable to banks		$2,000,000.00	
Accounts payable		851,627.72	
Accrued accounts		430,921.72	
Employees' and sundry deposits		41,349.43	
Federal, State and local taxes		419,821.91	
Sinking fund deposits due in 1937 on First Mortgage 5% Bonds		350,000.00	
Amount payable under mortgage extension agreement		100,000.00	
			$4,193,720.78
MORTGAGE PAYABLE			
First mortgage on branch store—Maturing July 20, 1937		$500,000.00	
LESS: Payment due in 1937 under renewal agreement extending balance for five years—(Classified as current)		100,000.00	
			400,000.00
FUNDED DEBT			
First Mortgage 5% Sinking Fund Bonds—1948		$10,005,000.00	
LESS: Sinking fund deposits due in 1937—(Classified as current)		350,000.00	
			9,655,000.00
RESERVES			
For self-insurance and contingencies			345,084.89
CAPITAL STOCK			
Prior Preference 6% Cumulative (Par value $100.00)			
Authorized 148,400 shares; outstanding 17,097 shares after deducting 1303 shares in treasury		$1,709,700.00	
Preferred 7% Cumulative (Par value $100.00)			
Authorized 95,000 shares; outstanding 93,341 shares after deducting 1659 shares in treasury		9,334,100.00	
Common (No par value)			
Authorized 300,000 shares; outstanding 30,000 shares		1,801,847.23	
		$12,845,647.23	
SURPLUS (Including $296,200.00 applied to repurchase of capital stock in treasury)			
Earned	$1,705,350.39		
Capital and appreciation	3,810,982.58		
		5,516,332.97	
			18,361,980.20
			$32,955,785.87